

Kuwait: Consumer spending rebounds in June, resuming its healthy expansion

NBK's consumer spending index increased 8.5% y/y in June, supported by a pick up in the consumption of durables and non-durables. The end of Ramadan helped boost spending on those components. Meanwhile, spending on services declined due to an early summer but still maintains robust growth relative to last year. Firmer oil prices, now hovering at three-and-a-half year highs, and improving consumer confidence, which increased at its strongest pace in six years in June, continue to support spending. Momentum may soften due to the summer lull, but is expected to remain robust throughout the rest of 2018.

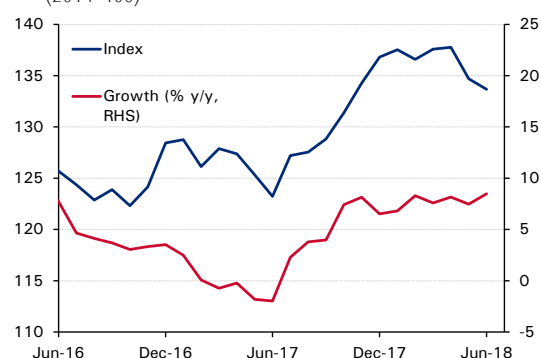
Spending on durables continued to show strength, recording an increase of 10.8% y/y in June. It was supported by a pick-up in the purchases of electronics and luxury goods, which had more-than-offset some mild softness in automotive and furniture sales.

Growth in the consumption of services was impressive at 11.9% y/y, and non-durables had a good month, growing by 1.3% y/y. With the end of the school year coinciding with the end of the holy month of Ramadan in mid-June, summer travelers embarked on their vacations earlier than usual. This may have contributed to a 2.6% m/m drop in the consumption of other services. Meanwhile, higher spending on clothing and cosmetics supported the rebound in non-durables. The 1.2% m/m improvement could have stemmed from purchases usually associated with the celebration of Eid-al-fitr.

Consumer spending is projected to remain healthy through 2018. However, uncertainty over the future income and employment prospects of expats – following the state's efforts to increase employment for nationals – may weigh down on consumer spending. Meanwhile, spending by Kuwaiti nationals is expected to remain strong, thanks to low inflation, healthy employment, and higher public spending.

▶ Chart 1: NBK PCE index

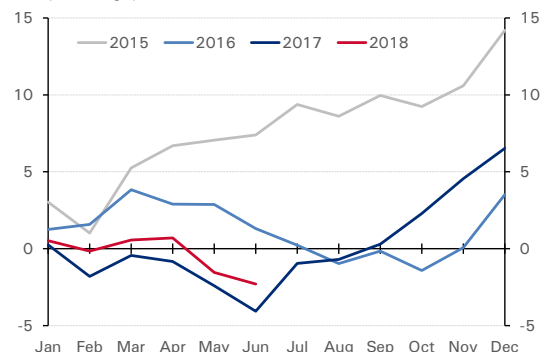
(2014=100)



Source: NBK

▶ Chart 2: NBK PCE index year-to-date

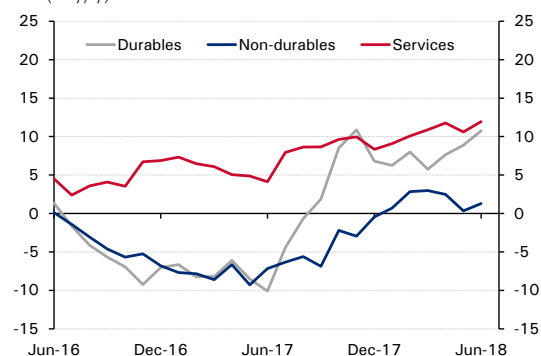
(% change)



Source: NBK

▶ Chart 3: NBK PCE index growth

(% y/y)



Source: NBK

▶ Table 1: NBK Private Consumption Expenditure (PCE) index by sector

	Jun-18 index	May-18 index	Jun-17 index	Change	
				M/M %	Y/Y %
Durables	111.1	110.7	100.4	0.4	10.8
- Auto	88.2	89.4	77.0	-1.4	14.5
Non-durables	119.1	117.7	117.6	1.2	1.3
Services	144.0	147.8	128.6	-2.6	11.9
NBK PCE	133.7	134.7	123.2	-0.8	8.5

Source: NBK

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